
Decision of the Independent Panel Exemption Application #1340

PART 1 – PANEL MEMBERS

Panel members hearing the Application: Rudy G. Riedl and John Wiersma

PART 2 – GENERAL INFORMATION

1. Exemption Application ID: #1340.
2. Market Participant Name: PIC Mobert Hydro Inc. (“PMHI” or, the “Applicant”).
3. Location/Site: Upper White River Project and Lower White River Project, approx. 30 km west of White River, Ontario.
4. Role of Applicant in the market as it relates to this Exemption Application: *Generator*.
5. Date Exemption Application Heard: November 28, 2012.
6. Did Applicant Agree to Terms and Conditions of the IESO Staff Recommendation: Yes.
7. Section of the *Exemption Application and Assessment Procedure* under which the Exemption Application is made: Section 1.4.
8. Market Rule(s) or related Market Manual(s) from which exemption is requested: Chapter 4, Appendix 4.2, Categories 7(a), 7(c) and 8.
9. Material Reviewed & Exemption Process:
 - a) PMHI’s Exemption Application (and summary)
 - b) IESO Staff Recommendation
 - c) Exemption Application & Assessment Procedure
 - d) Applicable *market rules*
 - e) Exemption Panel Hearing
10. Applicant’s Position:

In early discussions with the IESO, PMHI indicated that their typical 10MW stations would have connected to a 44kV distribution feeder, and then the proposed AC rotating exciter would have

met the market rules' requirements. In this case, however, there is only a 27.6kV distribution system in the proximity of the project which PMHI reports is inadequate for project connection.

PMHI's position is that the proposed exciter will create some operational advantages, including: (i) higher reliability on delivery of electricity; (ii) less required maintenance; and (iii) a smaller powerhouse footprint. PMHI states that the additional cost of installing static excitation systems and the loss of revenue resulting from the estimated three-month delay to complete design revisions represent a significant portion of the total cost of the project and would not be recoverable. The Applicant has directed that the cost information be treated as confidential information.

In its application, PMHI notes that the System Impact Assessment concluded that "there was no significant difference in system performance between installing a static exciter that meets IESO Market Rules requirements versus the AC rotating exciters being proposed...".

PART 3 – DECISION

Decision:

Exemption #1340 is issued to PMHI subject to the terms and conditions set forth in the Reasons of the Panel below.

PART 4 – REASONS

Reasons of the Panel:

Compliance with the *market rules* for *generation facilities* is mandatory. However, when extenuating circumstances are present, it is possible for an *exemption* from the *market rules* to be granted. Exemption Orders are exceptional and are granted by an Exemption Panel on a discretionary and case-by-case basis.

In rendering our decision, we considered PMHI's Exemption Application, IESO Staff Recommendation, the Exemption Application and Assessment Procedure, the applicable *market rules* and the responses of IESO Staff to the issues and questions raised by us at the hearing of the Exemption Application.

We were advised that even when the east-west tie lines are expanded, the existence of AC rotating exciters would continue to have a negligible impact on system performance. We were also advised that when the market rules were changed in 2010 (as described in the IESO Staff Recommendation, page 6), it was not contemplated that projects of this size would be required to connect to the transmission system. In the unique circumstances of this location, the only way for PMHI to connect to the grid is through Hydro One's 115 kV radial circuit. This is the first

request for an exemption to this rule and the IESO does not foresee any other exemption applications at this time.

PMHI's Exemption Application and the IESO Staff Recommendation satisfied us that granting the *exemption* would not materially impact the ability of the IESO to direct the operation and maintain the *reliability* of the IESO-controlled grid.

Factors considered in granting this *exemption* are as follows:

- Simulations performed using the White River Hydro Project's proposed design parameters did not show an adverse impact on the IESO controlled grid.
- There would be both significant costs and adverse revenue impact to PMHI if PMHI were required install static excitation systems and redesign the projects to meet the requirements.
- Moreover, compliance with the requirements would not improve the performance of the IESO-controlled grid.

Therefore, the *exemption* is hereby granted for the life of the exciters of the White River facilities subject to the terms and conditions set forth in the IESO Staff Recommendation regarding Reconsideration.

Exemption Period


Under the circumstances, we are satisfied that an *exemption* for the life of the exciters is justified as recommended by IESO Staff.

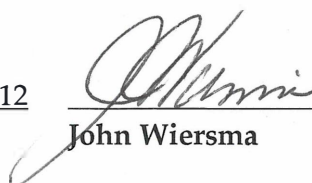
PART 5 – TERMS AND CONDITIONS

Effective Date of Exemption (or event causing exemption to become effective)	The date when and if the <i>exemption</i> is filed.
Date of Expiration of Exemption <ul style="list-style-type: none">If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date Circumstances which will cause the exemption to immediately expire	Date of expiration is at the end of life of the equipment subject to the comments listed in the Reconsider/Removal section below.
Market Rule (s) or related Market Manual(s) from which the Exemption is granted	Chapter 4, Appendix 4.2, Category 7 (a) : negative ceiling Chapter 4, Appendix 4.2, Category 7 (c) : all Chapter 4, Appendix 4.2, Category 8 : all
Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any	PIC Moberg Hydro Inc. is required to meet the requirements listed in the System Impact Assessment and Addendum.
Monitoring Information Required Information required to be provided by the Exemption Applicant for monitoring by the IESO	None.

Payment of Costs <ul style="list-style-type: none"> Processing Costs (when introduced) Incremental Exemption Costs Settlement amounts to be withheld or repaid 	Not applicable.
Reconsideration/Removal <ul style="list-style-type: none"> Date on which the Exemption will be reconsidered (<i>if applicable</i>) <p>Circumstances under which the Exemption will be reconsidered (<i>if applicable</i>) other than unforeseen future change in circumstances</p>	<p>Circumstances under which this exemption should be reconsidered:</p> <ul style="list-style-type: none"> Deviation from technical specifications outlined in PIC Moberg Hydro Inc.'s SIA application. If future assessments due to the evolution of the power system identify a reliability need for exciters meeting the Market Rule performance and power system stabilizers at the White River facility.
Transferability <ul style="list-style-type: none"> List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by IESO staff <p><i>Transferability</i> in respect of a corporation, refers to a change of control of the corporation within the meaning of the <i>Business Corporations Act</i> (Ontario)</p>	None.
Other:	None.

PART 6 – SIGNATURE OF PANEL MEMBERS


November 29, 2012
 Rudy G. Riedl Date


November 29, 2012
 John Wiersma Date